

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 L-03 FRB-03 OMB-01 ITC-01

SP-02 USIA-06 AGRE-00 AID-05 CIAE-00 COME-00

INR-07 IO-13 LAB-04 NSAE-00 OIC-02 SIL-01 STR-05

TRSE-00 CEA-01 SS-15 /090 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1594

C O N F I D E N T I A L LONDON 20885

FOR: EB/ORF/ICO - E.A. WENDT

E.O. 11652: GDS

TAGS: UNCTAD, ETRD, UK

SUBJECT: COMMON FUND FOLLOW UP: DISCUSSION WITH
MINISTRY OF TRADE

REF: (A) STATE 293758; (B) LONDON 20374; (C) GENEVA
11220

1. EMBOFF MET WITH NIGEL BRECKNELL OF MINISTRY OF
TRADE ON DECEMBER 22 IN RESPONSE TO REFTEL A.

2. A RECENT MEETING OF MINISTERS (TRADE, INDUSTRY,
AGRICULTURE, FOREIGN OFFICE) DECIDED THE UK WOULD
QUOTE PLAY IT COOL UNQUOTE FOR A WHILE ON THE COMMON
FUND (CF). THE UK PLANS NO UNILATERAL MOVE, BUT IN-
STEAD AWAITS THE NEXT G-77 MOVE. AT THE SAME TIME IT
WILL CONTINUE TO INDICATE IT IS WILLING TO NEGOTIATE
WITHOUT PRECONDITIONS.

3. THE UK IS CONVINCED THAT THE SOLIDARITY OF GROUP
B IS THE ELEMENT WHICH SAVED OUR POSITION IN GENEVA
IN NOVEMBER, AND FEELS EVERY EFFORT SHOULD BE MADE TO
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CONTINUE THAT SOLIDARITY. THE UK PLANS ON DOING SOME
HOMEWORK ON THE POSSIBLE VOLUNTARY FINANCING CONCEPTS
OF A SECOND WINDOW, AND HOPES THE U.S. WILL REVIEW ITS
OWN POSITION ON THE SECOND WINDOW. BRECKNELL NOTED
THAT AN ADVANCE IN GROUP B THINKING ON VOLUNTARY
FINANCING OF THE SECOND WINDOW WOULD CREATE PROBLEMS
FOR THE JOINT POSITION IF THE U.S. CHOSE NOT TO BECOME

PART OF ANY SUCH FUTURE SCHEMES DUE TO CONGRESSIONAL OR OTHER CONSTRAINTS.

4. WHEN THE FRENCH PAPER PRESENTED IN THE CLOSING DAYS OF THE NOVEMBER CONFERENCE WAS MENTIONED (REFTEL C), BRECKNELL SAID HE WAS SURE THE FRENCH WILL ACCEPT THE CONCEPT OF PRE-FINANCING FOR COMMODITY AGREEMENTS, BUT NOT A DIRECT CAPITAL CONTRIBUTION TO A CF. AS THE UK SEES THE QUESTION, WORK MUST BE DONE IN TWO AREAS, FIRST ON A COSMETIC RESPONSE DEALING WITH RE-PACKAGING OF THE GROUP B POSITION ON DIRECT CONTRIBUTIONS TO A CF AND SECONDLY THE SECURING OF G-77 COMMITMENTS TO CHANGE THEIR POSITION ON THE ISSUE OF DIRECT CONTRIBUTIONS. SERIOUS THINKING ABOUT CAPITAL STRUCTURE MAY ALSO BE REQUIRED. IT WAS NOTED THAT THE TREASURY AND TRADE DEPARTMENTS DO NOT LIKE THIS SORT OF THINKING SINCE IT IS THOUGHT TO LEAD DOWN THE RENOWNED SLIPPERY SLOPE. THE UK WILL CONSIDER CONTINGENCY OR DIRECT CONTRIBUTIONS IN THEIR INTERNAL WORK OVER THE NEXT MONTH, (I.E., HOW MUCH AND ON WHAT BASIS), BUT WILL AVOID ANYTHING WHICH COULD BE CONSTRUED AS A UNILATERAL MOVE IF AT ALL POSSIBLE.

5. WE RECEIVED A FORMAL FOREIGN OFFICE REPLY AS PROMISED BY W.B. SINTON (REFTEL B) WHICH FOLLOWS:

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QUOTE WE AGREE THAT IT IS IMPORTANT THAT GROUP B SHOULD CONTINUE TO WORK TOGETHER AND SHARE THE REGRET EXPRESSED BY THE UNITED STATES THAT THERE WERE SEPARATE STATEMENTS IN GENEVA. ARRANGMENTS ARE ALREADY IN TRAIN FOR MEETINGS TO TAKE PLACE BETWEEN US TO LOOK AT THE PREPARATIONS REQUIRED BEFORE THE NEGOTIATIONS ARE RESUMED. UNQUOTE.

6. COMMENT: AS REGARDS TIMING, IT APPEARS THE UK FEELS THE BALL IS IN THE G-77 COURT. WHILE WORK WILL CONTINUE ON THE UK POSITION ON THE CF THERE SEEMS NO DESIRE TO REJOIN THE DEBATE SOON. CLOSE COORDINATION AMONG THE MAJOR GROUP B COUNTRIES SEEMS TO BE THE MAJOR UK POLICY GOAL FOR THE MOMENT. IT APPEARS THINKING CENTERS ON WHERE GROUP B COULD GO TOGETHER FROM HERE (TO AVOID FURTHER SPLITS), SINCE SOLIDARITY PROVED SO SUCCESSFUL IN NOVEMBER. BRECKNELL WAS LAUDATORY IN HIS COMMENTS ON THE PREPAREDNESS OF THE U.S. DELEGATION TO THE NOVEMBER CONFERENCE. HE LOOKED FORWARD TO SIMILAR WORK IN THE FUTURE COMBINED WITH CLOSE COORDINATION OF SUCH WORK WITH THE UK.

BREWSTER

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Sent Date: 23-Dec-1977 12:00:00 am
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Disposition Comment: 25 YEAR REVIEW
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